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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1932

No. 565.

PHILIP HURN and PERCY MORGAN, JR.,
Plaintiffs-Appellants,

v.

FULTON OURSLER, LOWELL BRENTANO, ALBERT LEWIS and SAM H. HARRIS,

Defendants-Appellees.

BRIEF OF APPELLEE LOWELL BRENTANO.

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IN THE

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Plaintiffs-Appellants.

against

FULTON OURSLER, LOWELL BRENTANO, ALBERT LEWIS, and SAM H. HARRIS,
Defendants-Appellees.

On Certiorari from the United States Circuit Court of Appeals for the Second Circuit.

BRIEF OF APPELLEE LOWELL BRENTANO

Facts.

Complainants allege that the parties are citizens of the State of New York and that the acts complained of took place in that State; that the complainants are the owners of the copyrighted play "The Evil Hour" and also of an

uncopyrighted revision of that play; that the defendants, authors and owners of the copyrighted play "The Spider", are infringers.

Paragraphs "Eighth" and "Fifteenth" of the complaint read as follows:

> "*Eighth*: That the said defendants, Oursler and Brentano have represented themselves to be, and have continuously and falsely represented themselves to be the authors and originators of the said play entitled "The Spider" as now produced and exhibited by them, with full knowledge of the fact that they had appropriated, pirated and plagiarized the same from the aforesaid play of complainants entitled "The Evil Hour." (Record, pg. 7.)"

> "*Fifteenth*: That the wrongful acts of the said defendants *as hereinabove set forth* (italics ours) are wrongful and continuing and have all taken place in the City of New York, and within the jurisdiction of the Southern District of New York and are in violation of the rights of the complainants herein at common law and in equity, and constitute unfair business practices and unfair competition against the complainants herein, as well as of the copyright laws of the United States, (Record, pg. 24.)"

The answering defendants denied these allegations.

Except as above there are no allegations in the complaint relating to unfair competition.

The trial Court, after finding that defendants Oursler and Brentano were the authors of the Spider, made the following Finding of Fact:

> "9. That no version of the defendants' play "The Spider" infringed in any way, either with respect to plot, material, arrangement or sequence

of events, or incidents, or otherwise, the plaintiffs' copyrighted play "The Evil Hour" in contravention of the copyright Law of the United States." (Record, pg. 29.)

The trial court dismissed the complaint.
In so doing it made the following Conclusion of Law:

"1. That in view of the conclusion reached by the Court of lack of copyright infringement, this Court is without jurisdiction to entertain the allegations in paragraph Fifteenth of the complaint as amended, and to admit in evidence any proof thereof, in so far as they are based upon claims other than a claim of violation of the Copyright Law of the United States." (Record, pages 29-30.)

Claim of Appellants.

The appellants claim that although this Court obtained jurisdiction of this action solely by reason of the claim of copyright infringement, and although their claim of copyright infringement has been dismissed (without appeal by them from such dismissal), and although there are no allegations in the complaint which, in view of the finding of no infringement, bear on the question of unfair competition, that the trial Court should have received in evidence and have considered "claims other than" those arising under the Copyright Act. Appellants' say in effect: "We admit that the defendants Oursler and Brentano are the authors of "The Spider" and that it does not infringe upon "The Evil Hour" and that in our complaint we did not suggest anything in the way of unfair competition which is not covered by the finding of no infringement; nevertheless the trial court should have

considered any evidence we chose to submit of any kind of a claim we wanted to make outside of the claim of copyright infringement."

POINT I.

The Trial Court properly held itself to be without jurisdiction to entertain any claim in view of its determination that there was no infringement of copyright. Appellants' alleged claim of unfair competition is an independent suit not "arising under the copyright laws of the United States," and in the absence of the necessary diversity of citizenship, the Federal courts are without jurisdiction.

It appears from the face of the complaint that there is no diversity, the parties being all citizens and residents of the State of New York. Plaintiffs-appellants invoked federal jurisdiction under Section 34 of the Copyright Law, alleging a valid copyright and an infringement thereof. Had they sustained the claim of infringement the allegations of unfair competition might well have been entertained by the court in considering the question of aggravation of damages.

Stark Bros. v. *Stark,* 255 U. S. 50.

But the trial court, having expressly found that no infringement existed and appellants having elected not to appeal from that finding, the claim for unfair competition becomes an independent suit and is not an integral part of the infringement suit for the purpose of proving any "aggravation of damages."

Exhaustive research has not revealed a single case

where, in copyright litigation, the Federal courts have assumed such independent non-federal jurisdiction.

Plaintiffs, however, claim an analogy between copyright and trade-mark and patent cases and invoke the reasoning in various cases, in these latter classes, to sustain their contention.

Two of these cases are typical. They are the cases of *Vogue Company* v. *Vogue Hat Company,* 12 Fed. (2d) 991 and *Detroit Show Case Company* v. *Kawneer,* 250 Fed. 234.

In those cases, as here, the patent or trade-mark was declared valid but not infringed.

In the *Vogue* case, (supra), where the necessary diversity of citizenship existed to give Federal jurisdiction, in any event, the court, purely by way of *dictum,* stated the following conclusion (p. 995):

> "Accordingly we conclude that since the acts which in this case constitute the claimed infringement of a registered trade-mark and the claimed unfair competition are, at least in sufficient degree, the same acts, and, since it is to be assumed that the trade-mark registry was valid, the court had jurisdiction to enjoin the unfair competition, although it had decided that the registered trade-mark was not infringed; and this is perhaps particularly true because our finding of lack of infringement was based only on the circumstance that the articles marked were not of the same descriptive quality as the registered mark."

In the *Detroit* case (supra) the Court said (p. 240):

> "We are, moreover, of opinion that, under the rule which we recognized in the *Temco* case, supra, we have no jurisdiction over the subject of unfair competition as related to the division and corner

> bars of the second patent, which we have held not infringed—at least as considered by themselves, and not as a part of a complete store front structure. Had the second patent been held invalid, such would have been the result under our decision in *Schiebel Toy etc. Co.* v. *Clark,* 217 Fed. 760, 774, 133 CCA 490. And the same result seems logically to follow where, as here, a patent is held not infringed, for we think the logical theory on which (in case a patent has been sustained) damages for unfair competition may be considered is that such damages are to be treated merely as "aggravation of the infringement," and recovery by way of aggravation of damages otherwise nonexistent would seem anomalous."

On analysis of the *Vogue* case,—aside from the fact that the holding is mere *dictum,* and we do not believe that even in a proper case arising under the trade-mark laws, this court would sustain the *dictum* and thus enlarge the statutory jurisdiction of the Federal courts,—but even if it should be held that the trial court was justified in so extending Federal jurisdiction in the trade-mark fields, it was at least fortified by the fact that the gravamen of the action in either infringement or unfair competition in the trade-mark jurisdiction is the same, namely a deception of the public and a trading upon the goodwill of the trade-mark owner. In the copyright field, however, a vital distinction exists between the gravamen of a suit in infringement which depends upon a substantial appropriation of the plot, sequence or literary form of the copyright work and the gravamen of a suit for unfair competition, which is in essence an appropriation of an idea (in itself not copyrightable) and the appropriation of any available market for that idea.

But, even in the field of trade-mark jurisdiction,—which appellee contends presents no analogy to copyright in this respect,—appellee believes the better rule to have been stated in the second circuit. For example, in

Ingrassia v. *A. C. W. Mfg. Corp.*, 24 Fed. (2d) 703, and the cases cited in the opinion in that case, the court held (p. 704):

> "This court and the District Courts of this circuit have consistently held that, in the absence of diversity of citizenship between the litigants, a patent infringement suit or a statutory trademark infringement may not be joined with a suit for unfair competition in trade. *Gerrard* v. *Cary* (D. C.) 9 F. (2d) 949, affd. (C. C. A.) 9 F. (2d) 957; *Planten* v. *Gedney* (C. C. A.) 224 F. 382; *Tyler Co.* v. *Ludlow-Saylor Wire Co.* (C. C. A.) 212 F. 156; *Thaddeus Davids Co.* v. *Davids* (C. C. A.) 192 F. 915; *Nat'l Casket Co.* v. *N. Y. & B'klyn. Casket Co.* (C. C. A.) 185 F. 533. The Supreme Court has ruled likewise in *Geneva Furniture Co.* v. *Karpen*, 238 U. S. 254, 35 S. Ct. 788, 59 L. Ed. 1295; *Standard Paint Co.* v. *Trinidad Asphalt Mfg. Co.*, 220 U. S. 446, 31 S. Ct. 456, 55 L. Ed. 536; *A. Leschen, etc., Co.* v. *Broderick Bascom etc., Co.*, 201 U. S. 166, 26 S. Ct. 425, 50 L. Ed. 710. The cause of action as to unfair competition was properly dismissed."

In Foster's Federal Practice, (6th edition) Volume 1, pages 859 and 845, the condition of the law is stated as follows:

> "It has been held that where the trade mark is valid and has been infringed and the acts of unfair trade are not separate and distinct from the acts of infringement, that then an injunction against

them may be joined with the decree forbidding the infringement of the trade mark; but that the rule is otherwise when they are separate and distinct acts unless the jurisdictional diversity of citizenship exists."

Foster cites the following cases:

Burt v. *Smith,* 71 Fed. 161 (C. C. A.);
Hutchinson v. *Loewy,* 163 Fed. 42 (C. C. A.);
Bernstein v. *Danwitz,* 190 Fed. 604;
Sprigg v. *Fisher,* 222 Fed. 964.

At page 845 Foster further says:

"Where there was no diversity of citizenship it was held that when the patent was sustained and its infringement found, the profits and damages for unfair competition might be included in the accounting. But where relief, because of alleged infringement of a patent was denied, the courts have held that they had no jurisdiction to consider a cause of action founded upon unfair competition in the same."

Citing the followng cases:

New Departure Manufacturing Co. v. *Sargent,* 127 Fed. 152 (C. C. A.);
Schiebel Toy Co. v. *Clark,* 217 Fed. 760;
H. D. Smith v. *Southington,* 235 Fed. 160;
Detroit Show Case Co. v. *Kawneer,* 250 Fed. 234 (C. C. A.);
United States Eastern Bolt Co. v. *H. G. Kroncke,* 234 Fed. 868 (C. C. A.);
and *Koenig* v. *Morris,* 243 Fed. 619.

A summary of all of the decisions bearing upon the question just raised shows that a decided balance of authority is in favor of observing the plain reading of the statute, but that various courts, where the patent or trademark is valid, to avoid a multiplicity of suits, have allowed, (1) where the proof of infringement is technically defective but this same proof reveals unfair competition, relief on the ground of unfair competition; (2) where infringement existed, damages in "aggravation of the infringement" under the count of unfair competition.

In cases like the *Vogue* case, however, the Circuit Court seems to have gone further than the view of this Court, as expressed in

Stark Bros. v. *Stark,* 255 U. S. 50;

There this court laid emphasis upon the fact that recovery of damages for unfair competition in the Federal courts could be had only where such recovery was inseparable from the statutory wrong. There the court permitted recovery of such damages only from the time of the registration of the trademark under the United States statutes and excluded any damages which accrued prior to that time, the recovery for which would be based upon common law protection. In the instant case, the copyright certificate and its validity have no bearing whatsoever upon the alleged cause of action for unfair competition. That is based wholly and solely upon whatever common law rights the appellants may have in a non-copyrightable idea and the allegation and finding of the validity of their copyright is unnecessary to the cause of action in unfair competition and is mere surplusage. At most it is evidentiary.

In the *Stark* case, speaking for the court, Mr. Justice Holmes said (p. 52):

> "The infringement sued on is for infringement of a registered trade mark, not infringement of a

trade mark. That is the plain meaning of the above words and the necessary scope of this suit since that is the scope of the jurisdiction of this Court, (201 U. S. 166-172). It seems very plain that the plaintiff had a cause of action outside the statute but that would have to be asserted elsewhere as the suit was between citizens of the same state. The statute alone gave the right to come into this Court of the United States. Coming in to assert its statutory rights we will assume in plaintiff's favor that it could recover for unfair competition that was inseparable from the statutory wrong, but it could not reach back and recover for earlier injuries to rights derived from a different source.

The plaintiff argues that a notice of March 11, 1914 calling on defendants 'to discontinue the unfair competition and infringement of its rights' coupled with the willful character of the defendant's wrong doing ought to lead to a different result, and the District Judge seems to have had a similar notion. But that is to forget the origin and necessary limit of the jurisdiction of this court."

In the *Stark* case the parties were both residents of Missouri. The plaintiff for years had a common law trademark. When it obtained a statutory trade-mark it did not give notice to the defendant of it until 1916. The trial court found that the *statutory trade mark* was infringed but gave an accounting of profits before the date of the notice. The Circuit Court of Appeals held that no damages or profits could be allowed until *after the notice according to statute.* This judgment this court affirmed.

With these facts before us an analysis of this decision into its elements makes clear the following:

The statute alone gives the right of residents of the same state to invoke federal jurisdiction.

Once in the United States court they must establish a *statutory wrong* to stay there.

If they do so they may recover for unfair competition *inseparable* from that wrong.

As that statutory wrong did not exist until notice under the statute was given no common law claims before the date of the notice can be included in the claim for damages.

When the *Stark* case was in the Circuit Court of Appeals (257 Fed. 9) that Court held (p. 15) that to entitle one to recover in a case before it

> "the unfair competition must be a part of the same transaction, to wit, a violation of the act of Congress and a liability thereunder. It must be an aggravation of the infringement of the registered trade mark in order to give the court jurisdiction to award damages."

In the case at bar the only statutory wrong alleged is infringement of copyright.

But infringement does not exist.

Therefore, there is no statutory wrong from which unfair competition is inseparable.

POINT II.

The cases relied upon by the Appellants are distinguishable.

Bearing in mind the reasons underlying the decisions cited under the previous point, it is submitted that the cases of the general character of *Moore* v. *New York Cotton Exchange,* 270 U. S. 593 and *Siler* v. *Louisville,* 213 U. S. 175 are not governing precedents.

Cases of the order of the *Moore* case are those where the claims of the respective parties are so intertwined

that the judgment which was affirmed was necessary to give complete relief.

In short, the *Moore* case itself contains the distinction here argued for. The court there pointed out (p. 609) that under Equity Rule 30, two classes of counterclaims are provided for:

> 1. Claims "arising out of the transaction which is the subject matter of the suit" and
>
> 2. Claims "which might be the subject of an independent suit in equity."

The claim of unfair competition here alleged does not grow out of any copyright certificate; if it exists at all it must exist in some theory of common law monopoly of idea or novelty in literary property. As such it is an "independent suit" and appellees contend that federal jurisdiction, outside of the claim of copyright infringement, is necessary to sustain a trial in the federal courts.

In cases of the class of the *Siler* case, constitutional questions are involved and the distinction between that class of cases and this has been definitely pointed out by Judge Kohlsaat in his opinion in the case of *United States Eastern Co.* v. *Kroncke*, 234 Fed. 868.

Here we have an inter-relation of constitutional and local questions and the mere fact that the constitutional or federal questions are decided adversely or even not decided at all does not defeat federal jurisdiction. In the case at bar, however, the alleged infringement and the alleged unfair competition, far from being intertwined, are entirely separate claims, and the one having been defeated, federal jurisdiction should not be extended to a non-federal cause of action.

POINT III.

An appeal without a purpose should be disallowed.

We understand that the purpose of a decision on appeal is to apply the rules which govern the facts of the particular case being considered; not to lay down dicta which may affect decisions in other cases.

If this statement is correct it narrows down the question under consideration on this appeal to this:

On appellants' case, *as stated in their complaint,* are there sufficient facts to give the Court jurisdiction of the question of unfair competition after the trial court has decided that there was no infringement and therefore the allegations relating to infringement are to be considered eliminated from consideration?

A mere inspection of the complaint shows that with the direct and derivative allegations of infringement eliminated there is not even a scintilla of allegation under which the appellants might introduce evidence of unfair competition.

Appellants claim in Paragraph "Fifteenth" of the amended complaint that certain facts "hereinabove set forth" in the complaint constitute unfair business practices but, there being no infringement, there is nothing "hereinabove set forth" which by any stretch of the imagination could be said to constitute unfair business practices.

Appellants, therefore, seek to raise a question not covered by the pleadings.

Certainly it cannot be urged that where lack of infringement has been found nevertheless the allegations regarding infringement shall be considered as allegations relating to unfair competition, and the case be retried as one for unfair competition.

A somewhat similar effort to do this was frowned upon by this Court in

Standard Paint Co. v. *Trinidad Asphalt Mfg. Co.*, 220 U. S. 446.

In that case this Court held that by virtue of a claim of unfair competition plaintiff could not get relief which had been refused to it because of its ownership of the trade mark. In that case the question of unfair competition was considered because of diversity of citizenship. This Court said at page 461:

> "The only imitation by the Asphalt Company of the roofing of the Paint Company is that which exists in the use of the word 'Rubber-o.' To preclude its use because of such resemblance would be to give the word 'Ruberoid' the full effect of a trade mark while denying its validity as such."

It is submitted that, if this case is retried on the question of unfair competition and the above cited case is followed, the trial judge would dismiss the complaint.

An appeal without a purpose should be disallowed.

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